

GENERAL ASSEMBLY OF NORTH CAROLINA  
SESSION 2021

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HOUSE BILL 344

Short Title: System Development Fees Update. (Public)

Sponsors: Representatives Arp, Hardister, Hanig, and Meyer (Primary Sponsors).  
*For a complete list of sponsors, refer to the North Carolina General Assembly web site.*

Referred to: Finance, if favorable, Local Government, if favorable, Rules, Calendar, and Operations of the House

March 23, 2021

1 A BILL TO BE ENTITLED  
2 AN ACT TO CLARIFY THE PROCESS WITH WHICH A LOCAL GOVERNMENTAL UNIT  
3 MAY IMPOSE AND COLLECT SYSTEM DEVELOPMENT FEES.

4 The General Assembly of North Carolina enacts:

5 **SECTION 1.** G.S. 162A-201(4) reads as rewritten:

6 "(4) Facility. – A water supply, treatment, storage, or distribution facility, or a  
7 wastewater collection, treatment, or disposal ~~facility, including for reuse or~~  
8 ~~reclamation of water, facility providing a general benefit to the area that~~  
9 facility serves and is owned or operated, or to be owned or operated, by a local  
10 governmental unit and land associated with such facility-unit. This shall  
11 include facilities for the reuse or reclamation of water and any land associated  
12 with the facility."

13 **SECTION 2.** G.S. 162A-205 reads as rewritten:

14 **"§ 162A-205. Supporting analysis.**

15 A system development fee shall be calculated based on a written analysis, which may  
16 constitute or be included in a capital improvements plan, that:

- 17 (1) Is prepared by a financial professional or a licensed professional engineer  
18 qualified by experience and training or education to employ generally  
19 accepted accounting, engineering, and planning methodologies to calculate  
20 system development fees for public water and sewer systems.
- 21 (2) Documents in reasonable detail the facts and data used in the analysis and their  
22 sufficiency and reliability.
- 23 (3) Employs generally accepted accounting, engineering, and planning  
24 methodologies, including the buy-in, incremental cost or marginal cost, and  
25 combined cost methods for each service, setting forth appropriate analysis as  
26 to the consideration and selection of a method appropriate to the  
27 circumstances and adapted as necessary to satisfy all requirements of this  
28 Article.
- 29 (4) Documents and demonstrates the reliable application of the methodologies to  
30 the facts and data, including all reasoning, analysis, and interim calculations  
31 underlying each identifiable component of the system development fee and  
32 the aggregate thereof.



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- 1 (5) Identifies all assumptions and limiting conditions affecting the analysis and  
2 demonstrates that they do not materially undermine the reliability of  
3 conclusions reached.
- 4 (6) Calculates a final system development fee per service unit of new  
5 development and includes an equivalency or conversion table for use in  
6 determining the fees applicable for various categories of demand.
- 7 (7) Covers a planning horizon of not less than five years nor more than 20 years.
- 8 (8) Is adopted by resolution or ordinance of the local governmental unit in  
9 accordance with G.S. 162A-209.
- 10 (9) Uses the gallons per day per service unit that the local governmental unit  
11 applies to its water or sewer system engineering or planning purposes for  
12 water or sewer, as appropriate, in calculating the system development fee."

13 **SECTION 3.** G.S. 162A-207 reads as rewritten:

14 "**§ 162A-207. Minimum requirements.**

15 (a) Maximum. – A system development fee shall not exceed that calculated based on the  
16 system development fee analysis.

17 (b) Revenue Credit. – In applying the incremental cost or marginal cost, or the combined  
18 cost, method to calculate a system development fee with respect to ~~water or sewer~~ capital  
19 improvements, the system development fee analysis must include as part of that methodology a  
20 credit against the projected aggregate cost of ~~water or sewer~~ capital improvements. That credit  
21 shall be determined based upon generally accepted calculations and shall reflect a deduction of  
22 either the outstanding debt principal or the present value of projected water and sewer revenues  
23 received by the local governmental unit for the capital improvements necessitated by and  
24 attributable to such new development, anticipated over the course of the planning horizon. In no  
25 case shall the credit be less than twenty-five percent (25%) of the aggregate cost of capital  
26 improvements.

27 (c) Construction or Contributions Credit. – In calculating the system development fee  
28 with respect to new development, the local governmental unit shall credit the value of costs in  
29 excess of the development's proportionate share of connecting facilities required to be oversized  
30 for use of others outside of the development. No credit shall be applied, however, for ~~water or~~  
31 ~~sewer~~ capital improvements on-site or to connect new development to ~~water or sewer~~ facilities."

32 **SECTION 4.** G.S. 162A-211(b) reads as rewritten:

33 "(b) Revenue from system development fees calculated using the buy-in method may be  
34 expended for previously completed capital improvements for which capacity exists and for  
35 capital rehabilitation projects. The basis for the buy-in calculation for previously completed  
36 capital improvements shall be determined by using a generally accepted method of valuing the  
37 actual or replacement costs of the capital improvement for which the buy-in fee is being collected  
38 less depreciation, ~~debt credits,~~ outstanding debt principal, grants, and other generally accepted  
39 valuation adjustments."

40 **SECTION 5.** This act is effective when it becomes law and clarifies existing law  
41 with minimum standards employed by all generally accepted accounting, engineering, and  
42 planning methodologies used to calculate system development fees for public water and sewer  
43 systems.